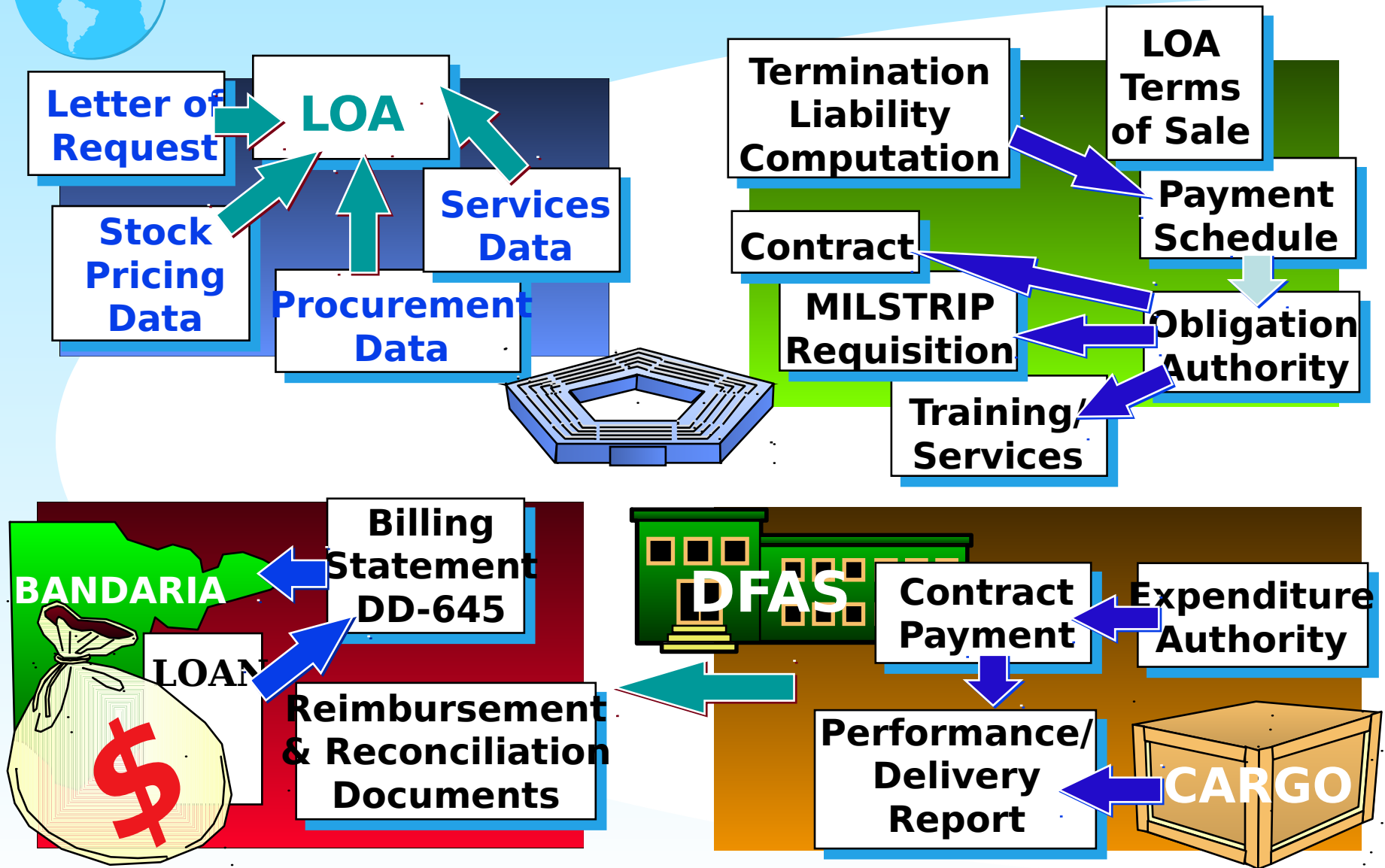




FMS Financial Management





FMS Financial Management Responsibilities

- **Under Secretary of Defense (Comptroller) [USD(C)]**
- **Director, Defense Finance and Accounting Service (DFAS)**
- **Deputate for Security Assistance, DFAS-Denver Center (DFAS-DE)**
- **Director, Defense Security Cooperation Agency (DSCA)**
- **Implementing agencies**



FMS

Financial

Management

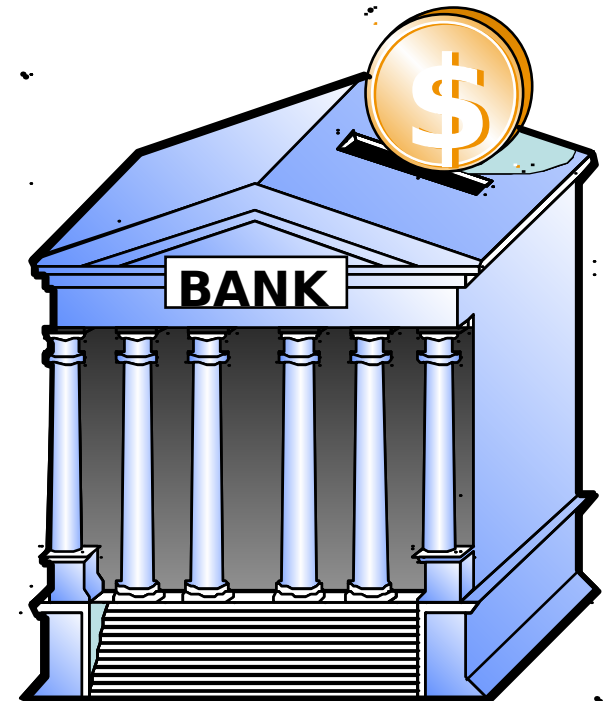
Funds

Management



FMS Trust Fund

- **An account in the U.S. Treasury**
- **DFAS-DE is the banker**
- **Identified to country and case**
- **No interest paid to purchaser**





Open FMS Cases

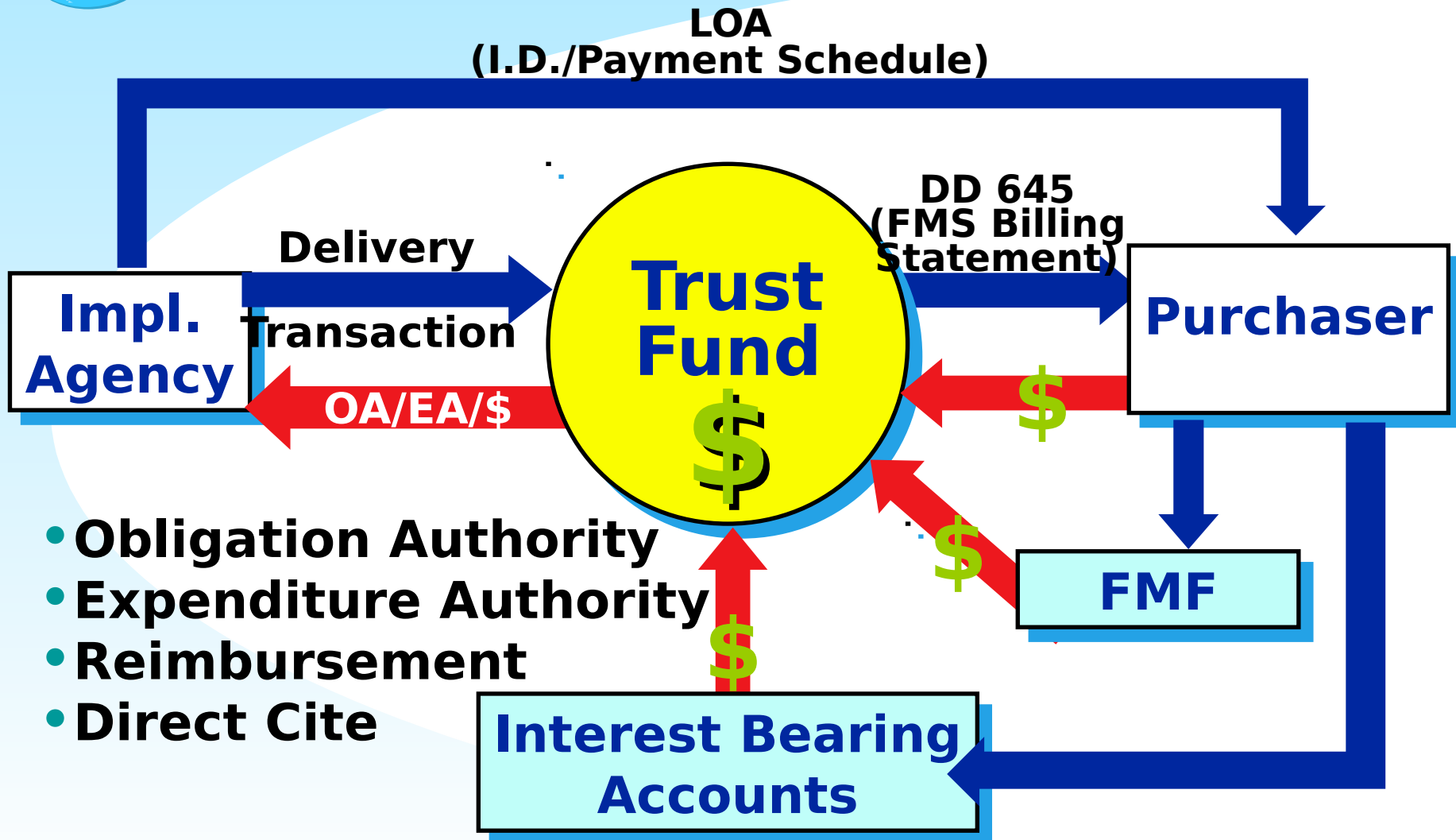
(As of 15 April 2004)

Implementing Activity	Number of Cases	Cash Value (\$ Bils)	Collections (\$ Bils) Trust Fund & IBA	Deliveries (\$ Bils)
Army	3,602	54.6	45.2	37.5
Navy	4,197	55.8	47.7	41.5
Air Force	3,201	101.4	85.3	77.1
Other (DCAA, COE, DLA, NSA, DSCA)	1042	10.6	9.7	10.3
Total	12,042	222.4	187.9	166.4

Source: DFAS-DE/DIFS

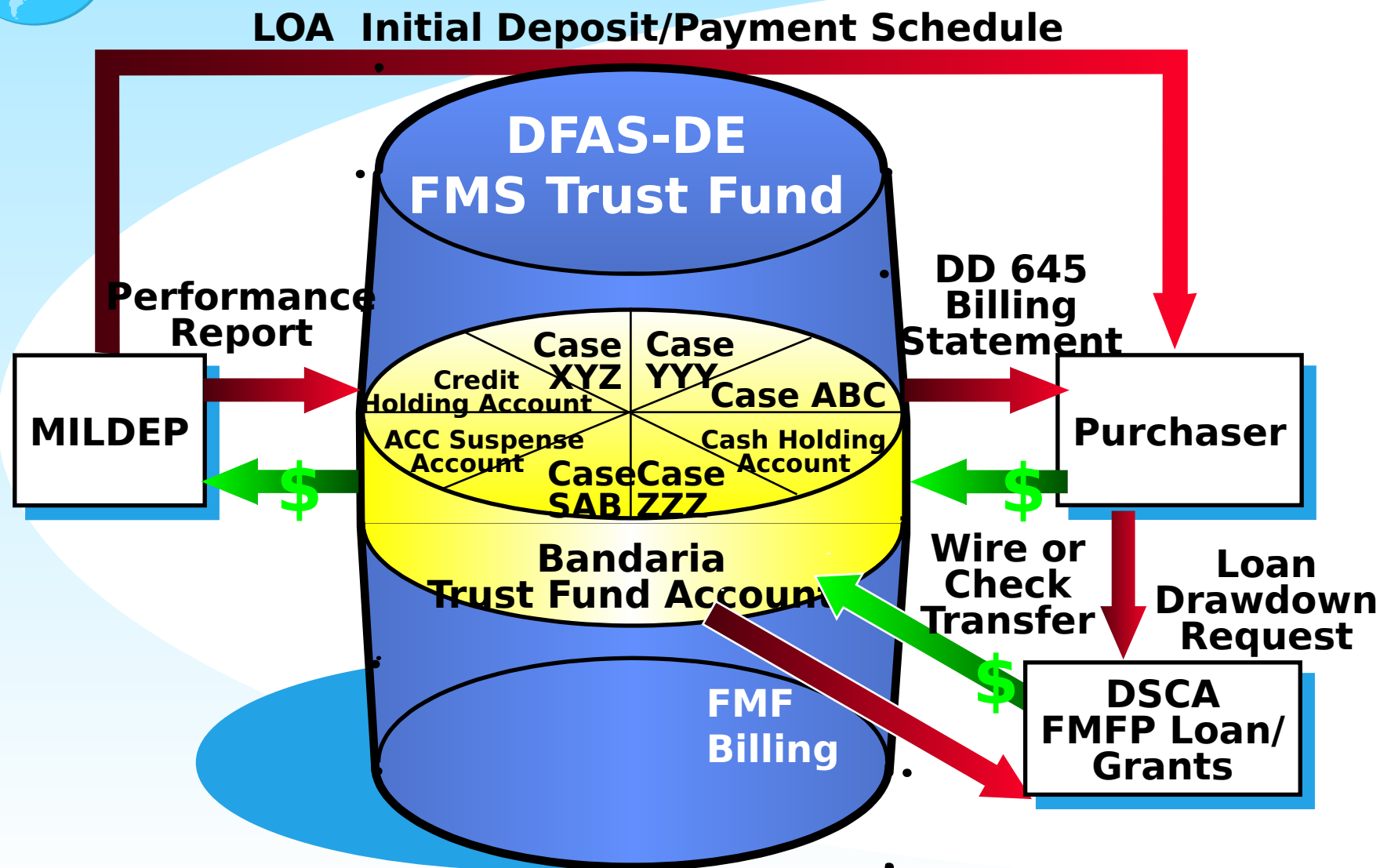


Flow of Funds





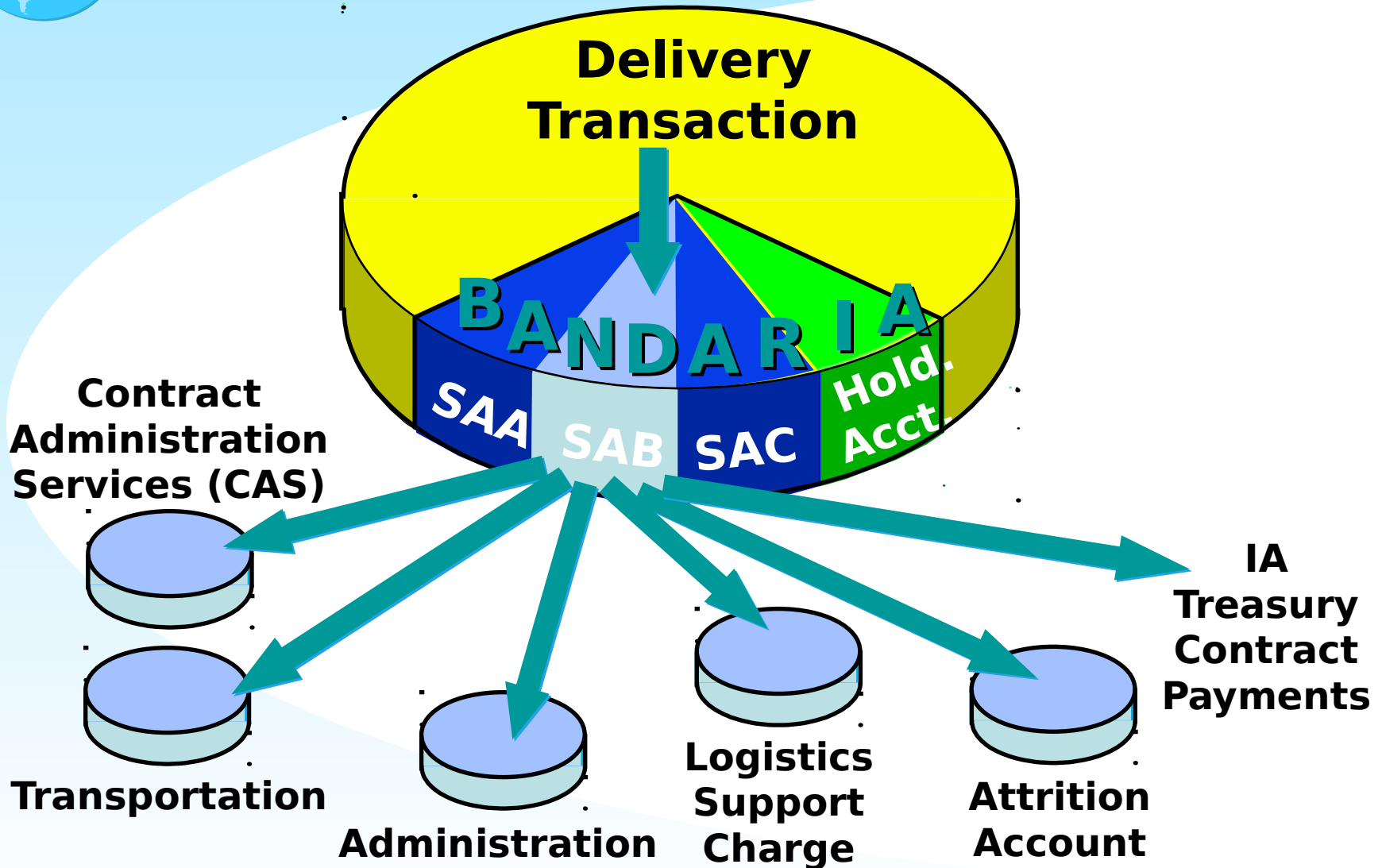
Flow of FMS Funds





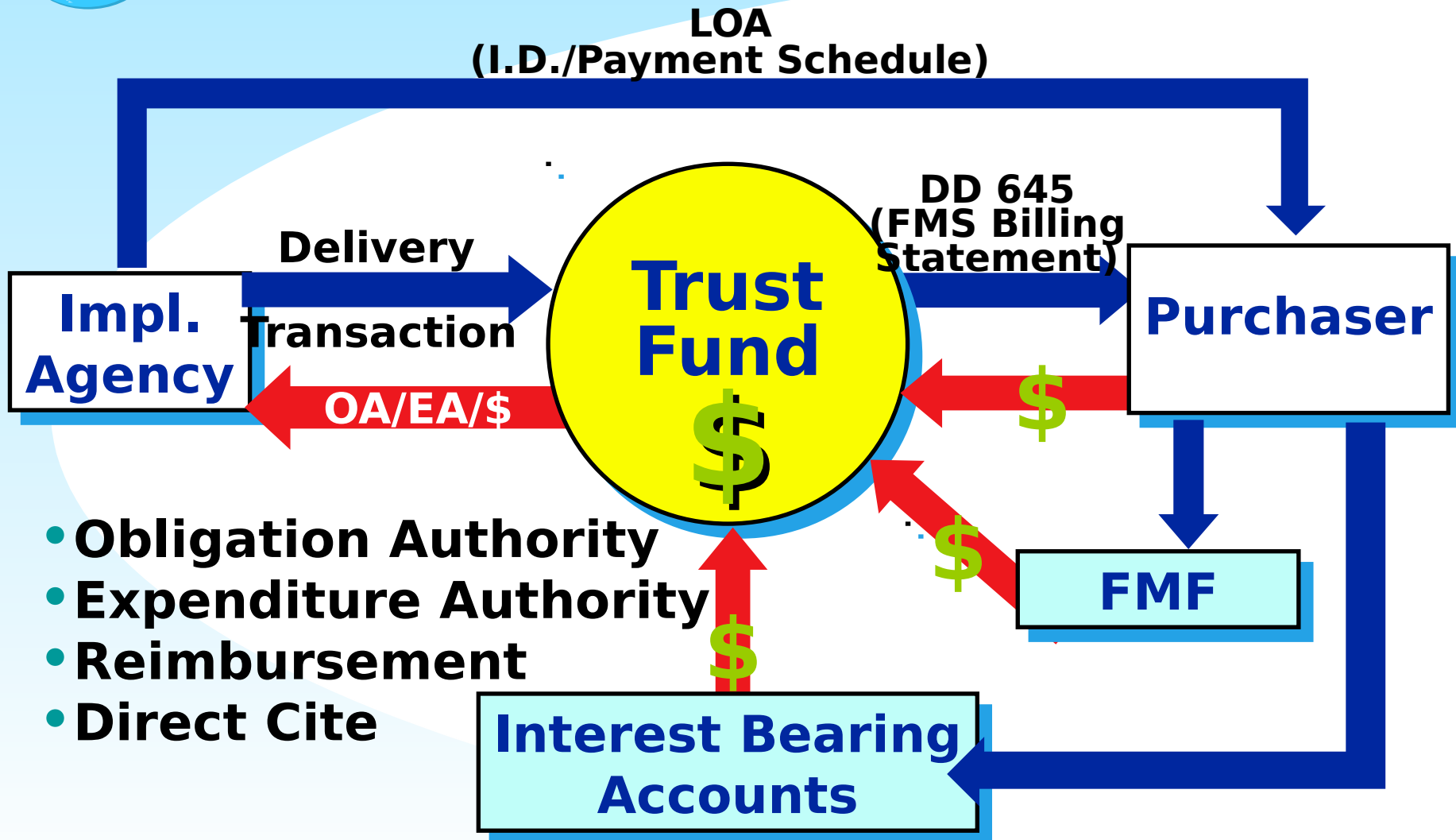
FMS Trust Fund

Bandarian Case SAB





Flow of Funds





OA/EA

Obligation Authority

Authority from DFAS-DE to incur obligations against a foreign country's FMS trust fund. Authority to place orders and award contracts.

Expenditure Authority

Authorization from DFAS-DE to make expenditures from a foreign country's FMS trust fund against recorded obligations in an amount not to exceed the funds in the country's trust fund account. Authority to deliver articles, perform services, and



Purchaser Sources of Financing

■ Cash

- Purchaser parliamentary/legislative appropriation**
- Private credit (commercial institutions)**
- Third country**

■ Foreign Military Financing Program (FMFP)

- DoD direct (grants or loans)**



Foreign Military Financing Basic Policies

- **Annual authorization/appropriation**
- **Method of acquisition - FMS**
- **Scope**
 - **U.S. materiel/services**
 - **Maritime transportation (U.S. flag vessels)**
 - **Exceptions to policy - DSCA review**
- **Repayable FMF**
 - **In U.S. Dollars - loan repayment**
 - **Arrearages - Brooke Amendment suspension**





Cash Flow Financing

- **Designed to permit certain countries to increase their annual FMFP purchasing power**
 - **Regular Financing: FMFP funds (grants/loans) must be committed against total LOA estimated costs**
 - **Cash Flow Financing: FMFP funds for only one year of LOA estimated costs (disbursements) must be committed**
 - **Requires future FMFP appropriations to meet out-year costs**

**100% Cash
Flow
Countries
Israel
Egypt**



Terms of Sale

LOA

■ Page 1

- FMS Credit
- MAP
- Cash with acceptance
- Payment on delivery
- Cash prior to delivery
- Dependable undertak
- LOA standard terms and conditions

United States of America Letter of Offer and Acceptance (LOA)	
DOD 5105.38-M	
[AT-P-BLZ]	
Based on [AUSTDEF ltr 2/265 of 10 Apr 92]	
Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to sell to [the Government of Australia, Office of the Naval Attache, 1601 Massachusetts Ave., NW, Washington, DC 20036] the defense articles or defense services (which may include defense design and construction services) collectively referred to as "items," set forth herein, subject to the provisions, terms, and conditions in this LOA.	
This LOA is for [Standard Missile Block VI, support items, and services.]	
Estimated Cost: [\$19,510,825]	Initial Deposit: [\$19,360,450]
Terms of Sale: [Cash prior to delivery/dependable undertaking.	
Congressional notification 92-17]	
This offer expires on [22 July 1992]. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.	
This page through page [4], plus Letter of Offer and Acceptance Standard Terms and Conditions attached, are a part of this LOA.	
The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:	
U.S. Signature _____ [A. R. DiTrapani Director] Typed Name and Title _____	Purchaser Signature _____ _____ Typed Name and Title _____
[Navy International Programs Office] Implementing Agency _____	Agency _____
DSAA _____ Date _____	Date _____
Information to be provided by the Purchaser:	
Mark For Code _____, Freight Forwarder Code _____, Purchaser Procuring Agency Code _____, Name and Address of the Purchaser's Paying Office _____	
Table 701-1, Page 1 of [12] pages	
701-12	




Dependable Undertaking

- **Applies to sales from procurement**
- **The USG "TRUSTS" the purchaser to pay as required or on demand**
- **The U.S. collects in advance of any cost/expenditure on behalf of the purchaser**
 - **Deliveries, Progress Payments, Termination Liability, Contractor Holdback**
- **Therefore, total case value need not be collected with acceptance**



Payment Schedule

 **United States of America**
Letter of Offer and Acceptance (LOA)

DOD 5105.38-M

[AT-P-BLZ]

Based on [AUSTDEF ltr 2/265 of 10 Apr 92]

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The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:

U.S. Signature Date [30 May 92] Purchaser Signature _____ Date _____
[A. R. DiTrapani
Director]
Typed Name and Title
[Navy International Programs Office]
Implementing Agency _____ Agency _____
DSAA _____ Date _____

Information to be provided by the Purchaser:

Mark For Code _____, Freight Forwarder Code _____, Purchaser Procuring Agency
Code _____, Name and Address of the Purchaser's Paying Office _____

Table 701-1. Page 1 of [12] pages
701-12

Estimated Payment Schedule

Payment Date: Quarterly Cumulative

Initial Deposit	\$1,100,000	\$1,100,000
15 Jun 1996	600,000	1,700,000
15 Sep 1996	800,000	2,500,000
15 Dec 1996	700,000	3,200,000
15 Mar 1997	900,000	4,100,000

- Budget/forecast information
- Basis for forecast in DD form 645
- One payment schedule per LOA (EXCEPT FMSO)



Initial Deposit BN-D-YCY

I.D. = \$1,530,296

50% of Case Admin

**Goods & Services from Stock
during Initial Deposit period**

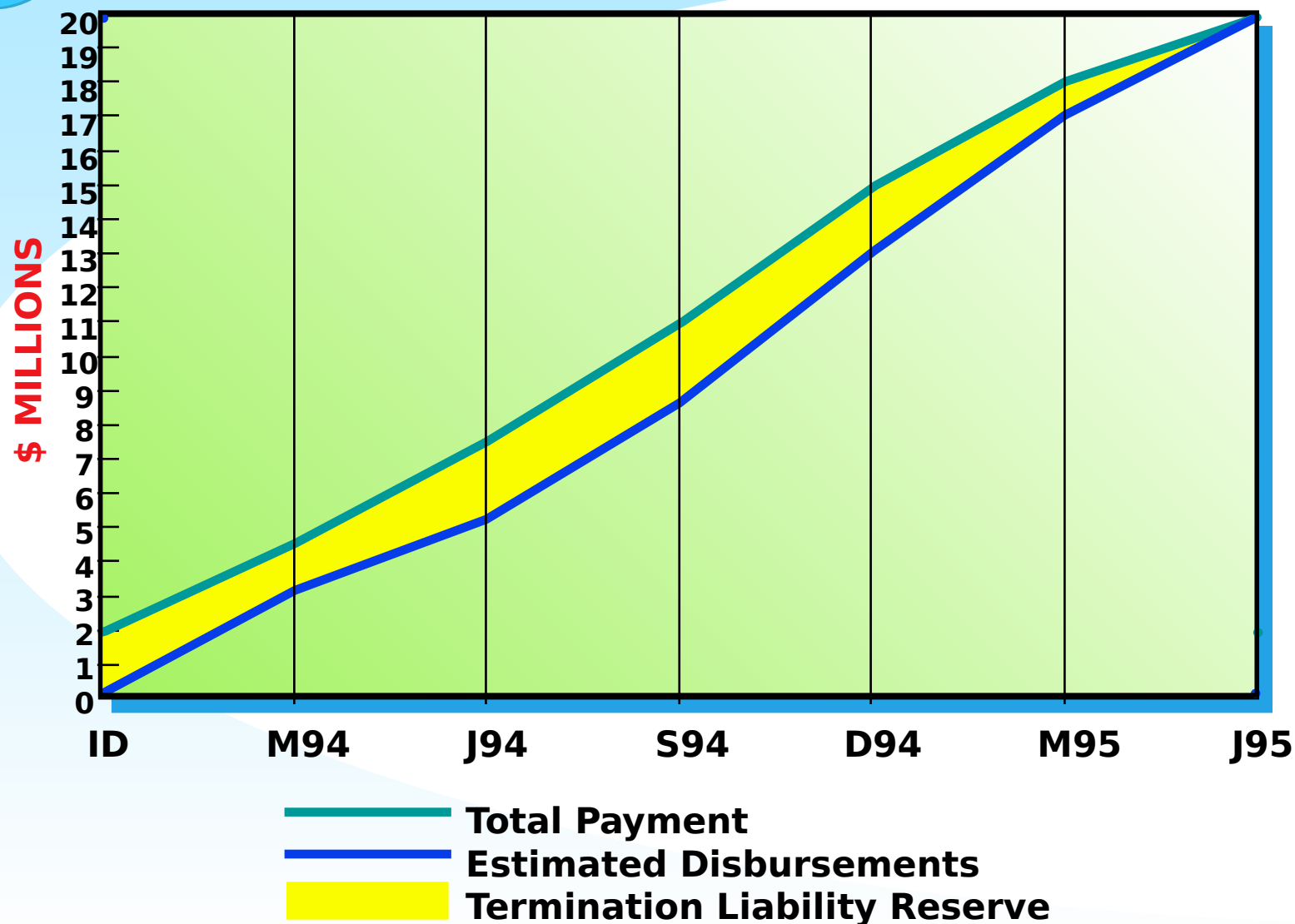
**Goods & Services from Procurement
during Initial Deposit period**

Progress Payments

**Termination Liability &
Contractor Holdback**



Termination Liability FMS Case Example





Standby Letter of Credit (SBLC)

- **Used in lieu of Termination Liability**
- **DSCA Policy Memo # 01-22 applies**
- **Guarantees payment in case of termination**
- **DSCA/FM responsible for approval/rejection**



Payment Schedule Variance Report (PSVR)

- **Prepared quarterly by DFAS-DE**
- **DSCA Policy Memo # 01-22 applies**
- **Part 1 shows worldwide cases for each MILDEP**
- **Part 2 shows cases with \pm 25% difference in collections vs. disbursements**
- **IA Case Manager reviews/corrects**